

AGN. NO.

MOTION BY SUPERVISOR MARK RIDLEY-THOMAS

May 20, 2014

Moving Forward with a Property Assessed Clean Energy Program
Relates to Item #15

In 2010, the Board of Supervisors (Board) unanimously adopted a motion to implement a Los Angeles County (County) Property Assessed Clean Energy (PACE) Program that would allow residential property owners to receive financing for energy efficiency and renewable energy projects by entering into voluntary contractual assessments where the costs are paid through one's property tax bill.

After more than 80 cities throughout the County opted into its PACE Program, the County ultimately decided to delay implementation after the Federal Housing Finance Agency (FHFA) issued guidelines that expressed concerns that energy programs would retain priority liens over federally-backed mortgages in the event of a default or foreclosure. While numerous steps have been taken nationwide to address this concern, the Federal government has not been assuaged of its position.

Nonetheless, more than 170 cities and counties throughout the State of California have moved forward with PACE Programs. Almost 13,000 residential PACE assessments have been established, totaling over \$260 million in residential improvements. PACE Programs have spurred 6,000 jobs. Actual data shows that homes with PACE assessments are less likely to default and many studies have found

- MORE -

MOTION

MOLINA _____

RIDLEY-THOMAS _____

YAROSLAVSKY _____

ANTONOVICH _____

KNABE _____

MOTION BY SUPERVISOR MARK RIDLEY-THOMAS

May 20, 2014

PAGE 2

that homes with energy upgrades sell at higher prices relative to those without such improvements. There have been no defaults among the 13,000 properties statewide with PACE assessments, even amidst the approximately 10% of PACE-assessed properties which were refinanced or sold.

38 cities throughout the County have urged the Board to move forward with PACE Programs, and have asked for authorization to join an established program based in West Riverside County. While the Board should, and is legally obligated to, move forward with the cities' request, it should also move expeditiously to establish a comprehensive program from which all of the cities in the County and unincorporated areas can benefit.

Staff has already taken significant steps toward a judicial validation process related to the establishment of a residential PACE Program. This process would validate one set of bond and program documents, such as a Program Handbook, Program Report, Assessment Contract and Bond Indenture Agreement. Judicial validations have already been successfully completed for all other programs operating in California, such as the California FIRST program, the HERO program, and the Figtree program; these validation proceedings have had little variation. The County should initiate the judicial validation proceedings using the existing documents from the prior judicial validation processes throughout the State as a model.

Staff should also consider whether a new solicitation process is appropriate in the establishment of a countywide residential PACE Program. Moving forward, the Board should support a program that minimizes market confusion and optimizes the feasibility of participants being able to take advantage of low interest rates and fees. Specifically, staff should explore whether having multiple qualified administrators may allow for competition based on price and quality, given that in jurisdictions where multiple administrators have qualified, a lower interest rate on the financing has been achieved compared to jurisdictions with a sole administrator. Staff should also address

MOTION BY SUPERVISOR MARK RIDLEY-THOMAS

May 20, 2014

PAGE 3

outstanding questions regarding federal concerns.

A prompt initiation of a residential PACE Program in the County promises to achieve significant benefits including long-term energy savings and reduced costs for homeowners, job creation, economic development associated with the expansion of the statewide marketplace for energy efficiency and renewables, as well as a meaningful reduction in the carbon footprint throughout the County.

I THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

Direct the Director of the Internal Services Department and the Treasurer and Tax Collector, in coordination with the Acting Auditor Controller and County Counsel, to take the following actions:

1. Adopt the first, second, and fourth actions jointly recommended by the Internal Services Department, Treasurer & Tax Collector and Auditor-Controller, and substitute the following actions for staff recommendation Number 3;
2. Take all necessary steps to initiate the judicial validation for the Los Angeles County Residential Property Assessed Clean Energy (PACE) Program and return to the Board of Supervisors within 60 days in writing with:
 - a. Revised PACE Program Documents to be considered for judicial validation; and
 - b. A discussion on both the risks associated with the ongoing objections by the Federal Housing Finance Agency to the PACE Program and what measures can be taken to address those concerns, as well as recommendations as to whether the Board should initiate a new solicitation process to select one or more qualified administrator(s) to facilitate, at no cost to the County, the PACE Program based on an analysis that includes an administrative model that is most likely to encourage lower interest rates and fees, and avoid market confusion.

####

(KK)